IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of: *Erisman, Terry*	)	**Examining Group 3624**
Serial No.: *09/560,203*	)	**Examiner: Felten, Daniel S.**
Filed: *4/28/2000*	)	
For: *Method & Apparatus for Auctioning Items*	)	

Second Supplemental Reply Brief

Mail Stop Appeal Brief - Patents
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Dear Sir:

In response to the Supplemental Examiner's Answer of October 2, 2009, Applicant submits a Second Supplemental Reply Brief under 37 C.F.R. § 41.41.

Response to rejection under § 101 of claims 44 – 70 and 85 - 87

Applicant traverses this rejection as these claims were already canceled without waiver or prejudice in an amendment filed February 24, 2009 contemporaneously with the first Supplemental Reply Brief. The fact that such claims were canceled was further pointed out in the June 3, 2009 supplemental filing made by Applicants to clarify the status of the claims. Accordingly this rejection is moot.[1]

The other grounds of rejection of the remaining claims presented in the Supplemental Examiner Answer are addressed below.

[1] The Supplemental Examiner Answer makes reference only to claims 44 – 65, but this is inconsistent with the pending claims. If independent claim 65 is rejected, dependent claims 66 – 70 should have been rejected by the same rationale. Applicant proceeds on the assumption that this was the Examiner's true intent.

A. Claim 1 is patentable over Mori (6,044363) in view of Barzilai (6,012,045) in view of Godin (6,266,652) in view of Aggarwal (6,151,589) and Lange (6,321,212)

The § 103 rejection in the Supplemental Examiner Answer is again confusing, because it states categorically[2] that there was a discussion of such five (5) references (and motivations to combine) in earlier Office Actions, yet, in fact, nothing of the sort ever occurred. The May 20, 2003 Office Action cited only four of such references in combination:

Mori (6,044363)
Barzilai (6,012,045)
Godin (6,266,652)
Aggarwal (6,151,589)

This rejection was addressed in an amendment dated July 21, 2003. The Examiner then issued a new Office Action on November 10, 2003, which cited the above four references and a new reference to Rackson (6,415,270) – not Lange.

The new combination of the above four references (to include Lange and drop Rackson) was not cited by the Examiner in an Office Action until January 27, 2006, some three years later. Nonetheless the Examiner does not cite to or reference such Office Action in any part of the Supplemental Answer. Consequently Applicant is left to guess again about what the Examiner's intends to incorporate from the two 2003 Office Actions, as they make no mention of the Lange reference, or the rejections he refers to now.

There is no teaching of an auction with bids in Lange

Nonetheless in the Supplemental Answer (page 6) the Examiner again relies heavily on Lange for the proposition that it shows:[3]

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[2] This part of the Supplemental Answer (see page 6) again repeats the same erroneous reference to "claims 1 – 102" and further refers to Office Actions "mailed" May 16, 2003 and October 31, 2003, which are also in error. These mistaken references make it difficult to follow the Examiner's logic in many instances.

[3] Applicant further notes that the discussion of the prior art appears as if it was duplicated in the Supplemental Answer. There is a discussion that begins on page 7 beginning with "It is respectfully submitted…" that extends to the bottom of page 9; then this same discussion is repeated in paragraph 10 at pages 9 – 12. Applicant cannot discern any new evidence or argument presented in the later duplication in paragraph 10.

"…an embodiment where firms (bidders) specify that a set of ranked (or range of) bids submitted by a bidder for a set of items (or states of) are treated as mutually exclusive…" citing to col. 58, l. 47 to col. 59, l.4

Applicant submits that the Supplemental Answer again fails to address the fundamental limitation (pointed out in the Appeal Brief) that Lange does not even disclose "bids" or "bidders" for items in an electronic auction. There is no addressing of this point whatsoever in the Supplemental Answer (in fact it appears as a repeat of the original Answer), and on this basis Applicant submits there is no reasonable dispute on the evidence of record that it is not taught by the reference.

Lange's system is basically directed to investing in derivatives. Lange emphasizes, repeatedly, that his goal is to avoid or eliminate entirely auctions which involve bid and offer matching. This could not be any clearer. For example at col. 2, ll. 52 – 62 Lange distinguishes the two known means for trading derivatives:

> Broadly speaking then, there are two widely utilized means by which derivatives are currently traded: **(1) order-matching** and (2) principal market making. Order matching is a model followed by exchanges such as the CBOT or the Chicago Mercantile Exchange and some newer online exchanges. **In order matching, the exchange coordinates the activities of buyers and sellers so that "bids" to buy (i.e., demand) can be paired off with "offers" to sell (i.e., supply)**. Orders may be matched both electronically and through the primary market making activities of the exchange members.

He then goes on to differentiate his system over these types of prior art bid systems at col. 7, ll. 19 – 23:

> The process by which returns are finalized in the present invention is demand-based, and does not in any substantial way depend on supply. **By contrast, traditional markets set prices through the interaction of supply and demand by crossing bids to buy and offers to sell ("bid/offer")**

This point is repeated again in several places, including at col. 8, ll. 29+

> **Preferred features of a trading system for a group of DBAR contingent claims** (i.e., group of claims pertaining to the same event) include the following:….other consequences of preferred embodiments of the present invention **include (1) elimination of order-matching or crossing of the bid and offer sides of the market**; (2) reduction of the need for a market maker to conduct dynamic hedging and risk management; and **(3) more opportunities for hedging** and insuring events of economic significance (i.e., greater market "completeness").

Lange's description makes it clear that his derivative trading system takes place outside of the particular auction process:

> **Groups of DBAR contingent claims according to the present invention can also be used to hedge** arbitrary sources of risk due to price discovery processes. **For example, firms involved in competitive bidding for goods or services, whether by sealed bid or open bid auctions, can hedge their investments and other capital expended in preparing the bid by investing in states of a group of DBAR contingent claims comprising ranges of mutually exclusive and collectively exhaustive auction bids**. In this way, the group of DBAR contingent claim serves as a kind of "meta-auction," and allows those who will be participating in the auction to invest in the distribution of possible auction outcomes, rather than simply waiting for the single outcome representing the auction result. Auction participants could thus hedge themselves against adverse auction developments and outcomes, and, importantly, have access to the entire probability distribution of bids (at least at one point in time) before submitting a bid into the real auction. Thus, a group of DBAR claims could be used to provide market data over the entire distribution of possible bids. Preferred embodiments of the present invention thus can help avoid the so-called Winner's Curse phenomenon known to economists, whereby auction participants fail rationally to take account of the information on the likely bids of their auction competitors.

Again, from all indications Lange is an *investment* system which allows entities to hedge their bets by investing "…in the distribution of possible auction outcomes." Lange, Col. 58, ll. 55+. Thus, Lange's participants do not provide bids for items in an auction; instead they hedge by making investments against the outcome of the auction, but this takes place outside of the auction itself. This is clear from the plain language in the passage cited by the Examiner.

Thus the "investments" made by some bidders in these side DBAR claims are not bids in auctions. They are separate from the auction, or the bids made by the bidders. These investments are merely hedges for these bidders to secure additional chances of winning the auction at a known price by purchasing multiple bids in particular ranges. This is the reason why Lange refers to these investments as a "meta-auction"; it takes place outside the actual auction which uses actual bids. The Examiner does not explain or suggest how such DBAR claims could be integrated within a conventional electronic auction system such as shown in the other prior art references.

Lange does not show bid rankings

On page 8 the Examiner tangentially addresses the second main point noted by Applicant, namely, that there is no bid ranking in Lange. As set out in claim 1, the bid ranking:

> "…represents a desired order in which a bid is to be resolved in the electronic auction compared to any other bids made by such bidder for other items…"

The Examiner now states for the first time (on the bottom of page 8 of the Supplemental Answer) that since the claim recites that the bidder "…can specify that a set of ranked bids submitted by a bidder for a set of items should be treated as mutually exclusive…" he is treating this language as imposing only a recommendation, and that the items do not in fact have to be mutually exclusive. This logic fails to consider the fact that the method is nonetheless encompassing auctions in which both mutually exclusive and non-mutually exclusive options are available as the disclosure makes clear. Furthermore even under the Examiner's interpretation, the reference is incapable of treating the bids in the manner called for in the claim, because it cannot accept even a bid that the user "recommends" be mutually exclusive. There is no such provision in Lange. Applicant submits that the Examiner's new point is mostly semantic, overly formalistic, and falls more within the ambit of a §112 issue which should have been raised earlier; nonetheless it is easily corrected if need be with a simple word change.

The key point is, the Examiner now appears implicitly to agree that the prior art does not allow for the option whereby the bidder can specify that the ranked bids are treated as mutually exclusive. The "ranges" which the Examiner cites in Lange are clearly not "rankings" because there is no indication that they serve any purpose whatsoever in an auction, let alone a ranking function for the bids.

Lange does not show mutually exclusive bids

The Examiner's Answer only tangentially addresses the third flaw identified in the Lange reference: it does not show mutually exclusive bids. The Examiner equates the "bid ranges" - which investors can invest in per the Lange scheme – with mutually exclusive bids in an electronic auction. All Lange shows is that investors can invest in multiple auction outcomes for a *single* item - they are not placing *mutually exclusive bids* in an *auction* across *separate items*.

The Examiner also suggests that the auction ranges discussed in Lange – to the extent they are not overlapping – show mutually exclusive bids. But this is clearly not the case. As noted in the Appeal Brief, an auction outcome for a single item might be represented by the following "mutually exclusive" ranges: 0 – 10; 11 – 20; 20 – 30; 30+, etc. (four separate ranges). According to Lange, one could invest in DBAR claims for all four, if desired. However, if a person were to do so, one would have to pay for all four DBAR claims covering each of the four ranges. The investor in Lange does *not* get to "invest" in all four ranges but then only pay for the final range which turns out to be the one in which bid falls. There is absolutely nothing "mutually exclusive" therefore about the Lange investments.

Similarly, Lange says nothing about allowing a user to invest in DBAR claims in a manner that is mutually exclusive as between separate items. That is, for 2 separate items, the user in Lange must pay for DBAR claims in ranges for both; he/she is not given the option of only hedging on the outcome of one of the items.

In short, since Lange does not in fact contain the disclosure necessary to support a finding of obviousness, the present rejection cannot be sustained. Given there is a complete lack of evidence, the present record cannot meet the criteria needed for a prima facie case of obviousness, and, in that case, the present rejections should be overturned. *See e.g.*, In re Neilson, 816 F.2d 1567, 1572, 2 USPQ 2d 1525, 1528 (Fed. Cir. 1984); In Re Gordon, 733 F.2d 900, 902, 221 USPQ 1125, 1127 (Fed. Cir. 1984).

Lange is Non-analogous art

The Examiner states that Lange, which is admittedly not an auction reference, is nonetheless within the field of endeavor, citing a case which involved the art of tracking objects, such as bottles. See e.g., Geo. J. Meyer Mfg. Co. v. San Marino Elec. Corp. 422 F.2d 1285 (9th Cir. 1970). The difficulty with this analogy is that at least in that case the function being performed (detecting an object having distinct light and dark characteristics) was reasonably the same. Here, the Examiner makes no effort to suggest or explain what common problem is addressed between the Lange reference and the Applicant's disclosure. Again, the two have little in common, other than the fact that the Examiner makes strained attempts to equate certain terms (bids, ranking, mutually exclusive) which are not used remotely in the same way. Lange is a tool for

investors to invest in bid ranges, not implement the bids themselves. Lange has no concern for rankings, so he is not solving the same problem there either. Finally, the only thing in Lange dealing with "mutual exclusivity" are the bid investment ranges, not the decisions on the bids themselves.

Applicant submits that there is little to suggest that the instant case satisfies the Geo J. Meyer requirements, and notes that the Examiner does not provide any support for making this suggestion either. For this reason Applicant submits again that a person skilled in the art would not consider the investment scheme of Lange to be analogous art, and this is not properly combinable in the first case.

B. The rejection of dependent claims 2 – 5 is also clearly unsupported by the record and thus in error

The Supplemental Answer does not make any attempt to defend the rejection of dependent claims 2 – 5, which are patentable for additional reasons. In fact Applicant can find no separate mention of the arguments against these claims anywhere to date.

In particular, per the Appeal Brief, claim 2 is patentable because the prior art does NOT teach or suggest ".. a set of bids from any particular bidder each include a unique bid ranking" for each of said corresponding set of items. Claim 4 is separately patentable because the cited prior art does not provide any description of "conditional" bids as set out in this claim. As the Examiner has cited nothing from the reference against these claims, he has not satisfied the criteria necessary for a prima facie case obviousness and the rejection cannot be sustained.

C. The rejection of independent claim 6 and claims 7 – 10 depending therefrom is also clearly unsupported by the record and thus in error are also patentable

The Appeal Brief pointed out that independent claim 6 was patentable because of the additional reason that neither Mori nor Barzilai teach any form conditional and unconditional bidding. Applicant pointed out the specific teachings and deficiencies in these references which preclude their relevance here.

Notably, nothing was submitted by the Examiner in the Supplement Answer to address or rebut these points raised in the Appeal Brief. Thus Applicant submits that

there can be no reasonable dispute about the patentability of these claims based on the evidence of record. Again the Examiner has cited nothing from the reference against these claims, he has not satisfied the criteria necessary for a prima facie case obviousness and the rejection cannot be sustained.

The Appeal Brief further pointed out that dependent claims 7 – 10 were patentable because of the additional reasons that the prior art does NOT teach or suggest "... a common auction period" (claim 7); or that a numerical value indicating a number of conditional bids is displayed (claim 8).

Again nothing was submitted by the Examiner in the Supplement Answer to address or rebut these points raised in the Appeal Brief. Applicant submits that there can be no reasonable dispute about the patentability of these claims based on the evidence of record. As the Examiner has cited nothing from the reference against these claims, he has not satisfied the criteria necessary for a prima facie case obviousness and the rejection cannot be sustained.

D. The rejection of independent claim 37 and claims 38 - 43 depending therefrom is in error

The Appeal Brief further pointed out that these claims were patentable because of the additional reasons that the prior art does NOT teach or suggest "…(b) *grouping said items based on a common auction period* to create a set of common items available to a plurality of purchasers for bidding…" This point is not addressed or rebutted anywhere in the Supplement Answer. Accordingly Applicant submits that there can be no reasonable dispute about the patentability of these claims based on the evidence of record. As the Examiner has cited nothing from the reference against these claims, he has not satisfied the criteria necessary for a prima facie case obviousness and the rejection cannot be sustained.

E. The rejection of dependent claims 38 – 43 is in error

Applicant pointed out in the Appeal Brief that these claims are patentable on additional grounds, yet there is no mention or rebuttal in the Supplemental Answer to support the rejections. Again these claims are patentable because the prior art does NOT teach or suggest ".. comparing bids…in an order determined by said bid

ranking…" (claim 39); or that the auction proceeds by examining highest ranked bids, not highest price bids (claim 40).

F. The rejection of independent claim 76 and claims 77 – 80 depending therefrom is in error

As noted in the Appeal Brief, these claims should be allowable for the same reasons for the claims already discussed above.

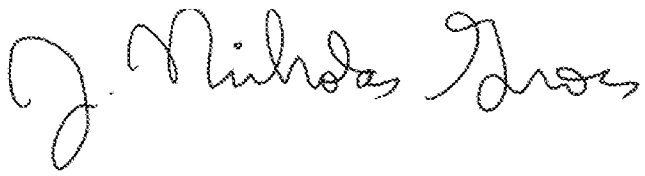
G. The rejection of independent claim 81 is in error

As noted in the Appeal Brief, this claim should be allowable for the same reasons for the claims already discussed above.

H. The rejection of independent claim 94 and claims 95 – 102 depending therefrom is in error

As noted in the Appeal Brief, these claims should be allowable for the same reasons for the claims already discussed above.

Respectfully submitted,



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